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SITUATION REPORTS

POLAND

The recent increase in the level of activity-including some mobilization-continues in Soviet units near Poland. Air activity by Soviet and East European units may signal the beginning of an air defense exercise.

A low-strength Soviet motorized rifle division located in the Baltic Military District has been mobilizing since last Thursday. Activity included larger-than-normal numbers of cargo trucks present and apparent loading of equipment onto railcars.

Soviet tactical aviation units in Poland, as well as Polish and East German air units resumed flight activity yesterday

The resumption may be related to a Soviet General Staff air defense exercise, which may begin today when the airspace over East Germany is to be closed to normal air traffic for one hour.

Moscow has announced the arrival of Soviet Defense Minister Ustinov in Eucharest for a meeting with other Warsaw Pact defense ministers. Yesterday apparently was devoted to welcoming ceremonies and setting the agenda. The session today reportedly will focus on such matters as defense budgets and training schedules, but the ministers will undoubtedly also discuss the Polish situation. The participants probably will meet with Romanian party chief Ceausescu briefly before departing for home tomorrow.

Soviet Commentary

The Soviets are still giving ambiguous public signals on their intentions toward Poland, possibly to avoid committing themselves to any one course until they know the results of the Central Committee meeting in Warsaw. A

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striking example is the manner in which TASS on Saturday replayed a recent Rude Pravo attack on the Poles, editing out the most pointed remarks in the original.

Meanwhile, P. K. Kostikov evidently has been dismissed from his post as head of the Polish desk at the Central Committee's department for liaison with other ruling Communist parties. Kostikov had been the top official in Moscow dealing with Polish affairs on a day-to-day basis since 1973.

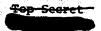
Kostikov reportedly served as an interpreter during former Polish party leader Gierek's meeting in the Crimea with President Brezhnev this summer and presumably has played a prominent role in Moscow's handling of the Polish crisis since then. His demotion probably resulted from dissatisfaction over the advice he has been giving the Soviet leadership, but it is not clear whether his departure signals a harder Soviet line toward Poland.

Kania Central Committee Speech

Party leader Kania's opening speech to the Central Committee plenum yesterday, presented as the views of the entire Politburo, indicates that the moderates within the party leadership are still in control. Kania renewed his pledge for greater democracy within the party, talked of a "profound transformation" in the way the party will exercise its leading role in the future, and called for broader participation in the political process. He directly criticized the "conservative" resistance to change and said there could be no return to the old ways of doing things.

Kania also stated that, on the basis of his talks with Solidarity representatives, he saw "realistic possibilities" for finding solutions to difficult problems and demonstrated an understanding for workers' attempts to redress longstanding grievances even through strikes. He drew a sharp line, however, at strikes that had political objectives. He criticized "certain" people and organizations in Solidarity for overstepping the bounds of trade union activity but said that the overwhelming majority of Solidarity members and activists had nothing in common with "this dangerous trend."

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Kania also devoted a significant portion of his speech to internal party problems, balancing his criticism of "conservatives" within the party who do not understand the new situation with criticism of the more liberal elements who would be prone to ideological capitulation. He indicated that a number of proposals will be considered for changing the way party officials are elected and how they will carry out their responsibilities. Kania counseled, however, against rash changes based merely on an emotional rejection of past practices.

He said that the ninth congress of the party will be held some time next March or April. This date is probably a compromise between the groups pressing for quick changes and conservatives who hoped to postpone the congress as long as possible. A special commission has been appointed to work out a new program and changes in the party statutes by the end of January.

Kania also said the Polish leadership "well understood" the anxiety felt by its allies for developments in Poland. He went on to express gratitude particularly to Soviet leaders for their trust in the Polish party and for their conviction that the Poles will be able to find a way out of their crisis that will be in the interest of socialism in Poland and of the entire socialist community. He also thanked his allies, in particular the Soviet Union and East Germany, for economic assistance.

Soviet Aid

Polish radio today claimed that the USSR has agreed to provide \$1.1 billion in hard currency and about \$200 million in goods next year. We have no other information to confirm the claim nor do we know the terms. The emphasis on cash aid seems plausible, however, as the USSR is currently in an excellent financial position but seriously short of many goods. The "shopping list" reportedly provided by Moscow included no food items, currently one of the most troublesome shortages in Poland, and other press sources indicate that Warsaw is seeking food from the EC. This announcement will be interpreted by many Poles as an explicit signal of continued Soviet support for party leader Kania.